

Message Text

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41

ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 OIC-04 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 EB-11 FRB-02 H-02 INR-10 INT-08 L-03

LAB-06 NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02

SS-15 STR-08 TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01

AF-10 ARA-11 EA-11 NEA-10 RSR-01 EURE-00 /225 W

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P R 191730 Z JUN 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 5373

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS

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E. O. 11652: N/A

TAGS: ETRD, GATT, EAGR, EEC, US

SUBJECT: TRADE POLICY ISSUES BEFORE THE EUROPEAN COMMUNITY

1. SUMMARY. WITH THE COUNTDOWN TO THE AUGUST HOLIDAY UNDERWAY, THE COMMUNITY SEEMS POISED FOR A PERIOD OF FRENETIC ACTIVITY IN CONNECTION WITH VARIOUS DEADLINES. THIS MESSAGE TRANSMITS A CHECKLIST OF KEY AGRICULTURAL AND OTHER TRADE POLICY ISSUES DIRECTLY INVOLVING US INTERESTS. THERE ARE ONLY TWO GENERAL EC COUNCIL (FONMINS) MEETINGS SCHEDULED BEFORE AUGUST -- JUNE
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25-26 AND JULY 23-24. THE EC COUNCIL (AGMINS) CONCLUDES A TWO-DAY MEETING (JUNE 19) AND IS TENTATIVELY SCHEDULED TO MEET AGAIN ON JULY 16-17. OTHER SPECIALIZED EC COUNCIL SESSIONS (E. G., FINANCE MINISTERS) WILL OCCUR BUT THESE ARE UNLIKELY TO HANDLE TRADE POLICY ISSUES. EMBASSIES IN NINE MAY WISH TO REMIND CONTACTS OF OUR CONCERNS. END SUMMARY.

2. COMMUNITY'S OVERVIEW ON TRADE POLICY. OUR LATEST STATUS REPORT IS IN EC BRUSSELS 3097 SENT JUNE 15. THE SITUATION IS LITTLE, IF ANY, CHANGED SINCE THEN. SOME OF THE ESSENTIAL QUESTIONS REMAINING ARE (A) WHETHER THE COMMITTEE OF PERMANENT REPRESENTATIVES CAN COMPLETE ITS PREPARATIONS IN TIME FOR FULL COUNCIL CONSIDERATION ON JUNE 25-26; (B) THE EXTENT TO WHICH THE FRENCH AND IRISH WILL BE PREPARED TO COMPROMISE; AND (C) HOW THE COMMUNITY WILL PROCEED IN THE JULY GATT PREPCOM SHOULD THE EC COUNCIL FAIL TO REACH AGREEMENT NEXT WEEK. THE MAJOR US INTEREST IS, OF COURSE, IN AS FLEXIBLE A COMMUNITY POSITION AS POSSIBLE IN SUCH KEY AREAS AS TARIFF REDUCTIONS, AGRICULTURE AND SAFEGUARDS. OUR VIEWS HAVE BEEN MADE KNOWN HERE AND IN EC CAPITALS OVER THE PAST FEW WEEKS. ANY FURTHER REASSURANCE ON OUR POLICY WITH RESPECT TO EXPORT CONTROLS WOULD BE HELPFUL IN OFFSETTING EXPECTED FRENCH AND IRISH NEGATIVE POSITION ON AGRICULTURE (EC BRUSSELS 3293).

3. GATT 24:6 NEGOTIATIONS. THE SITUATION FOLLOWING THE JUNE 18 ARTICLE 113 COMMITTEE MEETING IS DESCRIBED IN EC BRUSSELS 3349. THIS SUBJECT IS ON THE JUNE 25-26 COUNCIL AGENDA. THE KEY QUESTION IS WHETHER THE EC COMMISSION, WITH THE SUPPORT OF THE UK AND A NUMBER OF OTHER MEMBER COUNTRIES, CAN CONVINCE THE FRENCH AND THE IRISH THAT THE PRESENT COMMUNITY POSITION VIS- A- VIS THE US AND OTHER THIRD COUNTRIES IS UNTENABLE AND THAT THE COMMISSION SHOULD BE AUTHORIZED-- FORMALLY OR INFORMALLY-- TO BEGIN TALKING WITH THE US AND OTHERS ABOUT ADDITIONAL CONCESSIONS. OUR VIEWS HAVE BEEN PUT TO THE EC COMMISSION AND EC MEMBER GOVERNMENTS OVER THE PAST TEN DAYS THROUGH DISCUSSIONS BY CASEY AND EBERLE WITH SOAMES AND GUNDELACH, AND THROUGH THE MALMGREN/ RENNER VISITS TO EC CAPITLS. THERE IS SOME RISK THAT A COMPROMISE WITH THE FRENCH MAY GIVE THE COMMISSION THE POSSIBILITY OF EXPLORING COMPENSATION WITH THOSE COUNTRIES SHOWING A DEBT OWED ON THE BASIS OF THE EC QUANTITATIVE STATISTICAL ANALYSIS (E. G., AUSTRALIA, POLAND) BUT NOT PERMITTING SIMILAR EXPLORATIONS WITH THE US.

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4. GRAIN STANDSTILL RIGHTS. EC BRUSSELS 3325 REPORTS THE SITUATION AS OF LAST JUNE 15. WE ARE STILL AWAITING A FORMAL COMMUNITY ANSWER TO THE MARCH 9 US REQUEST THAT NEGOTIATIONS BE UNDERTAKEN IN GENEVA-- ON THE BASIS OF OUR OLD GRAIN NEGOTIATING RIGHTS STEMMING FROM PRE- COMMUNITY TARIFF BINDINGS IN SOME OF THE SIX. THE NEGOTIATIONS WOULD BE CARRIED ON IN PARALLEL TO

THE ARTICLE 24:6 NEGOTIATIONS. THE COMMITTEE OF PERM REPS IS SCHEDULED TO CONSIDER THE MATTER AGAIN ON JUNE 21. OUR SOURCES ANTICIPATE A FAVORABLE RESPONSE THAT WOULD PERMIT NEGOTIATIONS TO BEGIN BEFORE JUNE 30. WE HAVE RECENTLY MADE CLEAR TO THE EC COMMISSION AND KEY MEMBER STATE DELEGATIONS THE IMPORTANCE WE ATTACH TO THIS MATTER.

5. MEDITERRANEAN POLICY -- GENERAL. WHETHER THE EC COUNCIL CAN REACH AGREEMENT AT THE JUNE 25-26 MEETING ON NEGOTIATING MANDATES FOR THE MAGHREB COUNTRIES, SPAIN, ISRAEL AND MALTA REMAINS UNCLEAR. THE EC IS, OF COURSE, AWARE OF OUR RECENT NOTIFICATION OF INTENT TO BEGIN GATT ARTICLE 23 ACTION IN CONNECTION WITH SPAIN AND ISRAEL (EC BRUSSELS 2648). THE COMMISSION AND MEMBER STATES ARE ALSO AWARE OF OUR GENERAL VIEW ON MEDITERRANEAN PREFERENTIAL AGREEMENTS AS A RESULT OF REPRESENTATIONS OVER A PERIOD OF TIME. RECENT PERTINENT MISSION REPORTS ARE CONTAINED IN EC BRUSSELS 3126, EC BRUSSELS A-195, EC BRUSSELS 2753. WHETHER NEXT WEEK'S EC COUNCIL CAN MAKE SUBSTANTIAL PROGRESS-- OR EVEN AGREE ON MANDATES-- WILL DEPEND IMPORTANTLY ON THE OUTCOME OF THE CURRENT EC AGMINS MEETING. THE TIME PRESSURE HERE ARISES FROM THE NEED TO RENEGOTIATE THE MEDITERRANEAN ARRANGEMENTS BY THE END OF 1973.

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INFO OCT-01 IO-13 ADP-00 OIC-04 AGR-20 CEA-02 CIAE-00

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R 191730 Z JUN 73

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6. MEDITERRANEAN POLICY -- REVERSE PREFERENCES. THE ISSUE OF REVERSE PREFERENCES FOR ALGERIA, MOROCCO AND TUNISIA HAS NOT BEEN DEALT WITH BY MINISTERS SINCE MARCH. (THE COMMUNITY ENVISAGES " TWO- WAY" FREE TRADE AREAS FOR SPAIN, ISRAEL AND MALTA IN ANY CASE). IT WAS SET ASIDE WHILE THE MEMBER STATES CONCENTRATED ON THE CONCESSIONS THE COMMUNITY SHOULD OFFER TO MAGTREB COUNTRIES. IT IS STILL UNCLEAR WHETHER REVERSE PREFERENCES OR " RECIPROCITY" AS IT IS CALLED IN COMMUNITY JARGON, WILL FIGURE DIRECTLY IN THE JUNE 25-26 COUNCIL MEETING. IN ANY EVENT, OUR GENERAL OPPOSITION TO REVERSE PREFERENCES FOR MEDITERRANEAN OR
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OTHER LDCS IS WELL- KNOWN, AND THE MISSION IS CONTINUING TO REMIND KEY CONTACTS OF OUR POSITION.

7. MEDITERRANEAN POLICY -- FRESH FRUITS AND VEGETABLES. THE MOST SENSITIVE ISSUE FOR THE US IN THIS AREA IS CITRUS. COCNCESSIONS THE COMMUNITY MIGHT OFFER ARE NOW LINKED WITH ITALIAN DEMANDS FOR INCREASED PENETRATION PREMIUMS FOR CITRUS (SEE EC BRUSSELS 122; EC BRUSSELS A-195). ANOTHER ASPECT OF THE CITRUS QUESTION IS WHETHER THE COMMUNITY SHOULD GRANT SIMILAR TARIFF CONCESSIONS TO ALL THE MEDITERRANEAN PRODUCERS (AN 80 PERCENT PREFERENCE MARGIN) OR CONTINUE TO DIFFERENTIATE IN FAVOR OF THE MAGHREB STATES (80 PERCENT FOR THE MAGHREB WITH SOMEWHAT SMALLER PREFERENCE MARGINS FOR OTHER MEDITERRANEAN COUNTRIES). OUR LOCAL CONTACTS ARE AWARE OF THE IMPORTANCE THE US CONTINUES TO ATTACH TO MINIMIZING AND EVENTUALLY WIPING OUT THE DISCRIMINATION AGAINST US CITRUS EXPORTS TO THE COMMUNITY.

8. MEDITERRANEAN POLICY -- CANNED FRUITS AND VEGETABLES. THE OLD 1969 EC COMMISSION PROPOSAL FOR A SYSTEM OF MINIMUM IMPORT PRICES FOR PROCESSED FRUITS AND VEGETABLES HAS RECENTLY BEEN REVIVED IN CONNECTION WITH MEDITERRANEAN POLICY. IF THE PROPOSAL WERE ADOPTED, CERTAIN SENSITIVE US EXPORTS OF CANNED FRUITS AND VEGETABLES (E. G., PEACHES, FRUIT JUICES, DRIED PRUNES) WOULD BE SUBJECT TO MINIMUM IMPORT PRICES AND POSSIBLY TO A LEVY. WE HAVE MADE WRITTEN AND ORAL REPRESENTATIONS THIS YEAR TO EXPRESS OUR STRONG CONCERN ON THIS SUBJECT. (SEE EC BRUSSELS 2615 AND PREVIOUS

REPORTS).

9. NEGOTIATIONS WITH THE AFRICAN ASSOCIATES AND COMMONWEALTH ASSOCIABLE COUNTRIES. THE JUNE 25-26 EC COUNCIL AGENDA INCLUDES THE FORTHCOMING NEGOTIATIONS (EXPECTED TO BEGIN IN SPETEMBER) WITH THE YAOUNDE COUNTRIES AND THE SO- CALLED COMMONWEALTH ASSOCIABLES. THE COUNCIL, WHICH HAS THUS FAR BEEN CONCERNED WITH PROCEDURAL MATTERS SUCH AS INVITATIONS, SHOULD BEGIN TO CONSIDER SUBSTANTIVE ASPECTS BASED ON THE EC COMMISSION MEMORANDUM, (EC BRUSSELS A-167), A COMMISSION PAPER ON SPECIAL COMMODITY ARRANGEMENTS (EC BRUSSELS 3347), AND A DRAFT MANDATE NOW BEING PREPARED. OUR SOURCES DOUBT THAT MAJOR ISSUES WILL BE SETTLED AT THIS FIRST COUNCIL DISCUSSION. US CONCERN ABOUT TRADE POLICY IMPLICATIONS OF THE NEGOTIATIONS, INCLUDING REVERSE PREFERENCES, IS WELL KNOWN THROUGHOUT THE COMMUNITY AS A RESULT OF LAST LIMITED OFFICIAL USE
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SPRING' S SOAMES/ CASEY TALKS AND VARIOUS INFORMAL REPRESENTATIONS THAT WERE MADE THROUGHOUT THE YEAR.

10. CAP FOR ALCHOL. LAST DECEMBER THE EC COUNCIL SET AUGUST 1 AS THE TARGET DATE FOR ESTABLISHING A CAP FOR ALCOHOL. ADDRESSEES WILL RECALL THAT THE US HAS MADE STRONG REPRESENTATIONS ON THIS SUBJECT (EC BRUSSELS 0265) BECAUSE OF VARIOUS OBJECTIONABLE FEATURES IN THE PROPOSAL; E. G., PROHIBITING THE USE OF THIRD- COUNTRY GRAINS IN PRODUCING COMMUNITY ALCOHOL AND EC EXPORT SUBSIDIES ON WHISKEY, COGNAC AND OTHER HARD LIQUORS.

11. CAP FOR WINE. BY JULY 1, THIRD- COUNTRY IMPORTS OF WINE INTO THE EC WILL HAVE TO MEET CERTAIN COMPLEX TECHNICAL REQUIREMENTS. WE ARE CURRENTLY NEGOTIATING WITH THE COMMISSION ON THIS SUBJECT (EC BRUSSELS 3343, EC BRUSSELS 2662). UNLESS THE JULY DEADLINE IS AGAIN POSTPONED -- TO PERMIT RESOLUTION OF EXISTING PROBLEMS-- US WINE IMPORTS TO THE COMMUNITY WILL BE EFFECTIVELY CLOSED OFF.

12. MISSION COMMENT: OVER COMING DAYS AND WEEKS, EMBASSIES IN THE NINE MAY WISH TO USE THIS CHECKLIST AND SUBSEQUENT USEC REPORTING AS A BASIS FOR REMINDING MEMBER STATE OFFICIALS OF US VIEWS AND CONCERNS. OUR EXPERIENCE INDICATES THAT, DESPITE A CLEAR RECORD OF PAST US REPRESENTATIONS, REMINDERS ARE PARTICULARLY IMPORTANT WHEN TIME PRESSURES BUILD UP FOR INTERNAL EC AGREEMENTS.
GREENWALD

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